



CHAPTER FIVE

SAVING THROUGH ELIMINATING UNNEEDED INFRASTRUCTURE

Chapter 5 - Savings Through Eliminating Unneeded Infrastructure

Background

For the Department of Defense, post-Cold War budget realities include a steady-state, no-growth fiscal environment that has seen force reductions outstrip infrastructure reductions. Recognizing this imbalance, Congress authorized four previous Base Realignment and Closure (BRAC) rounds, which will account for a cumulative \$14B in savings by the end of implementation next year. If DoD is to achieve similar impact savings in the near term, additional BRAC rounds will have to be authorized by Congress and executed. Within the Defense Reform Initiative, eliminating unneeded infrastructure represents the greatest potential for dollar savings. The five initiatives in this chapter include key aspects for correctly sizing the fixed installations portion of the Defense budget. In addition to BRAC, DoD is pursuing other initiatives that focus on more efficiently streamlining fixed installations costs, including management of off-base leases, demolition of excess facilities/structures, privatization of military housing and base utility systems, and reduction in energy consumption.

Initiatives

The following five initiatives addressed in this chapter focus on using streamlined techniques to improve cost savings and efficiency of established systems:

5.01 The Number One Defense Reform Priority—Base Realignment and Closure - Focuses on the advances in savings achieved through base closures.

5.02 Leasing - Concentrates on the savings achieved through leasing privatization.

5.03 Saving Defense Dollars by Demolition and Disposal of Excess Defense Facilities - Measures the reduction of excess facilities occupying areas that could be used for more efficient facilities or for facilities that will be used.

5.04 Military Housing Privatization Initiative—Improving Quality of Life - Measures the number of military housing units privatized.

5.05 Energy Management - Measures the advances in energy savings.



Chapter 5 - Savings Through Eliminating Unneeded Infrastructure

- **Background**

- Reduce excess Defense infrastructure
- Note that previous four BRAC rounds saved \$14B
- Increase efficiency in existing processes

- **Initiatives**

- The Number One Defense Reform Priority—Base Realignment and Closure
- Leasing
- Saving Defense Dollars by Demolition and Disposal of Excess Defense Facilities
- Military Housing Privatization Initiative—Improving Quality of Life
- Energy Management

Chapter 5 - Savings Through Eliminating Unneeded Infrastructure

Performance Measures

All Infrastructure Initiatives impact the bottom-line Departmental operating budget by reducing costs in real dollars, albeit at varying levels of impact. The BRAC and Demolition and Disposal of Excess Facilities Initiatives are measured as dollar savings, although calculation methods are not universally embraced as accurate. Excess Facilities Demolished are also measured in “square feet (SF) disposed” for ready comparison with the initiative goal of 80 Million Square Feet (MSF). Interestingly, both privatization initiatives (Military Housing Privatization and Privatize DoD Utility Systems, the latter under the Energy Management Initiative) include measures that indicate program drivers other than pure cost savings. Military Housing Privatization is in large part a reaction to the state of existing housing and the realization that investment funds to replace substandard housing will be hard, if not impossible, to obtain. The Privatize Utility System effort (under Energy Management) stems from the Departmental policy to become an energy consumer whenever possible, rather than an energy producer and system operator. The Reduce Energy Consumption subinitiative (under the Energy Management Initiative) is also measured as an alternative to dollar savings. Using BTUs per gross square foot, this initiative and its measure recognize that consumption levels and their direct impact on environmental factors such as greenhouse gases and global warming are of paramount concern for measurement and reporting for compliance with Executive Order 13123.

Recommendations

Existing performance measures for this chapter, including some GPRA measures and others, generally target desired outcomes, although the privatization initiatives are not yet expressed in terms of cost savings or budgetary impact. These outcomes are designed to reflect performance of assigned programs and to assist in measuring progress. While the current Leasing metric, outlease income, is a nominal aspect of total DoD engaged leasing, the new metric, off-base leasing, encompasses enterprisewide involvement. The incorporation of new metrics for Demolition and Disposal of Excess Defense Facilities will provide good visual display of program goal achievement. Recommendations in Energy Management will help develop a comprehensive picture of progress being made by DoD in energy consumption and utility privatization.



Chapter 5 - Saving Through Eliminating Unneeded Infrastructure

- **Performance Measures**
 - Goal - Quantify savings as a result of reducing infrastructure
 - Measure: Dollar savings
 - Measure: Excess square footage
 - Measure: Privatization - other than cost drivers
 - Measure: Excess BTU per square foot
- **Recommendations**
 - Adopt BRAC metrics
 - Adopt Leasing metrics
 - Adopt Demolition and Disposal of Excess Defense Facilities metrics
 - Adopt Energy Management recommendations to provide a more comprehensive picture of progress

Initiative 5.01 - The Number One Defense Reform Priority - Base Realignment and Closure

Background

The Defense Base Realignment and Closure (BRAC) process was enacted by Congress to depoliticize the base closure process as much as possible. A bipartisan, independent commission convened over closure rounds in 1988, 1991, 1993, and 1995, and their recommendations had to be approved or disapproved in total by both the President and the Congress. Specialized and unique features of the BRAC process included the establishment of a single account to execute BRAC, facilitated departures from traditional property disposal statutes, the absorption of base restoration costs into the BRAC budgeting process, and the creation of local redevelopment authorities (LRAs) to serve as custodial recipients of defense base properties. While initially envisioned to market properties to LRAs at fair market value, BRAC was amended in 1993 (and later) to allow the transfer of property at no or below fair market value. This promoted the early reuse of Defense property and stimulated the creation of jobs around closed bases. The implementation of the four BRAC rounds will conclude in September 2001, with cumulative one-time savings projected at a total of \$14B at that time. Annual recurring savings from the BRAC rounds is projected to be \$5.7B per year. Savings associated with BRAC closures are typically operations and maintenance costs that are not borne by DoD once a base has been closed. The focus of the present DRI is to have two additional BRAC rounds authorized for 2003 and 2005.

Approach

The initial approach to this initiative included thorough data research and the gathering of available information from DoD and other U.S. Government Web sites, trade journals, and other BRAC-related references. Using this information to enhance existing background knowledge of BRAC, the project team then conducted extensive interviews with the initiative lead and initiative team to gain an understanding of the drivers of this initiative. Through these interviews, further insight into BRAC helped the project team to develop performance measures and scorecards that would help monitor BRAC progress and be a useful asset to the initiative team in demonstrating the impact of, and need for, additional BRAC rounds. Following acceptance of the new metrics, scorecards were developed to reflect DoD performance within the new BRAC metrics.



5.01 - The Number One Defense Reform Priority - Base Realignment and Closure

- **Background**
 - First four BRAC rounds will produce \$14B in cumulative savings
 - \$5.7B in recurring annual savings from BRAC
 - Use results to support two additional rounds
- **Approach**
 - Data research/information gathering
 - Initiative lead interviews
 - New metric/scorecard preparation and acceptance

Initiative 5.01 - The Number One Defense Reform Priority - Base Realignment and Closure

Performance Measures

The existing metrics for BRAC include the impact on enterprise objectives, currently captured in “Net Savings After Implementation.” The existing metric is a good indicator of BRAC’s impact on the DoD operating budget and is an appropriate measure of achievement for this initiative. Specific infrastructure reduction targets for the next two rounds would make target achievement easier to determine. Other output metrics used for BRAC include (1) reduction in excess acres, (2) recurring savings, (3) reductions in plant replacement value, and (4) percentage of major bases closed. Each BRAC closure round is implemented over a six-year period. Both costs and savings are generated during that implementation period, the difference being net implementation savings (or loss). Based on project team evaluations and recommendations, the initiative lead has agreed that incorporation of cumulative implementation period costs and implementation period savings are an effective way to measure the cumulative implementation net savings (or loss), which can be used with annual recurring savings to more fully display the Return on Investment of the BRAC process to the taxpayer as a direct result of BRAC rounds.

Recommendation

It is recommended that the DRI support adoption of the newly incorporated metrics (implementation period costs and implementation period savings) because they provide more detailed outcome metrics with which to assess BRAC successes over the past 12 years.



5.01 - The Number One Defense Reform Priority - Base Realignment and Closure

- **Performance Measures**
 - Goal - Quantify costs and savings from BRAC closures
 - Measure: Implementation costs/one-time savings from previous BRAC rounds
- **Recommendation**
 - DRI Support adoption of newly developed metrics
 - Implementation period costs
 - Implementation period savings
 - Cumulative net savings

Initiative 5.01 - The Number One Defense Reform Priority - Base Realignment and Closure

Goal: Reduce infrastructure costs through Base Realignment and Closure

Performance Measure: Net savings (in \$Billions) from BRAC

Net Savings (e) = Total Savings through 2001 (d) - Implementation Period Costs (a)

Total Savings through 2001 (d) = Implementation Period Savings (b) + (Net Annual Recurring Savings (c) X Number of Years since End of Implementation Period) (some differences due to rounding)

	<u>Implementation period estimates</u>		Net annual Recurring Savings	Total Savings through 2001 (d)	Net Savings through 2001 (e)
	6-year period	Costs (a)			
<u>Round</u>					
BRAC 1988	1990–1995	\$2.7	\$2.4	\$0.8	\$6.9
BRAC 1991	1992–1997	5.2	6.4	1.5	12.4
BRAC 1993	1994–1999	7.7	7.5	2.1	11.7
BRAC 1995	1996–2001	7.3	5.9	1.3	5.9
		<u>\$22.9</u>	<u>\$22.2</u>	<u>\$5.7</u>	<u>\$36.9</u>
					<u>(1.4)</u>
					<u>\$14.0</u>

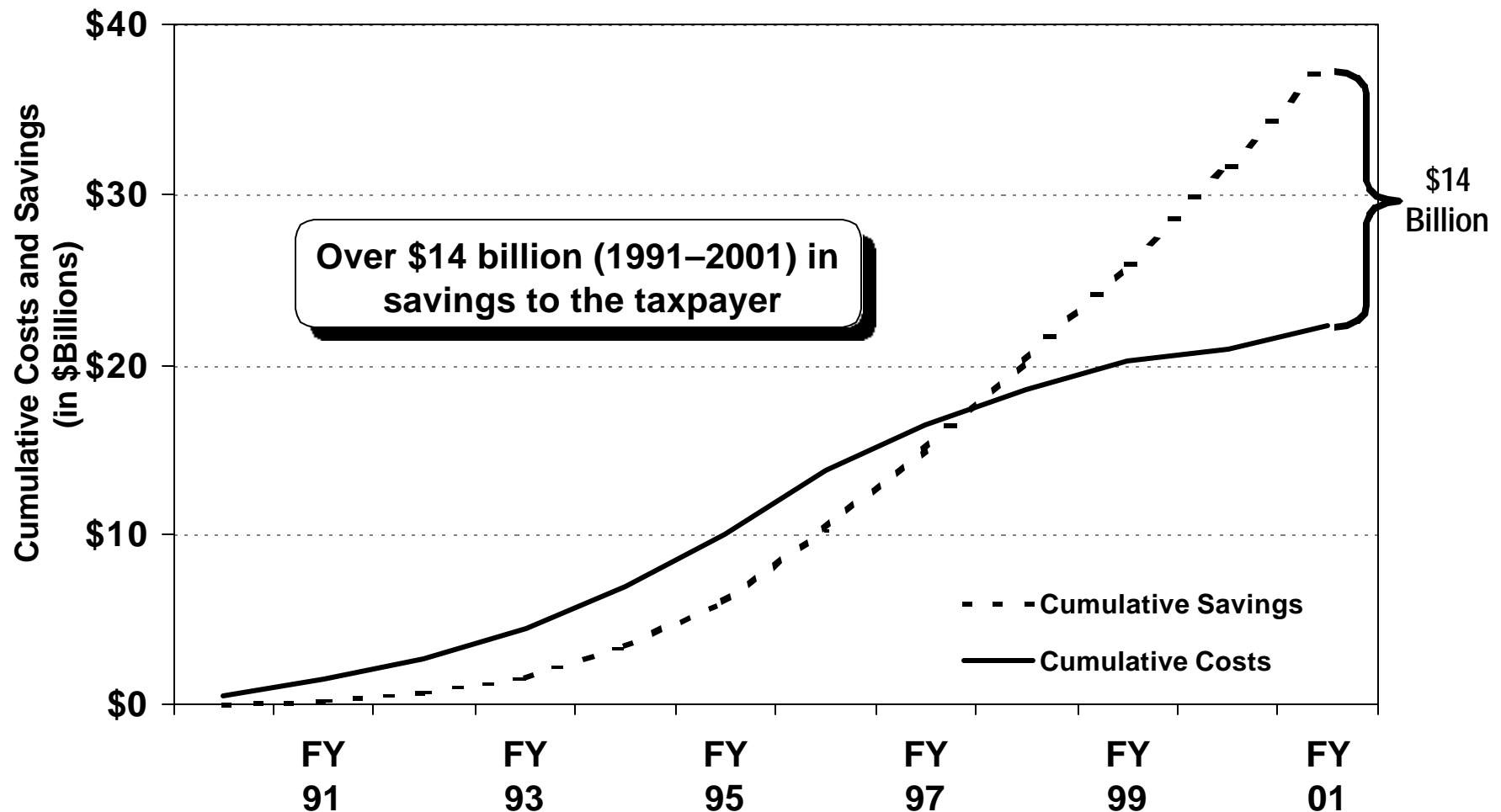
Source: DUSD(I)(H&E): FY 2000 Budget Summary

Organization, Systems, and Other Issues: A credible financial reporting system needs to have the capability to establish the performance baseline, as well as the yearly results.



Projected Savings From BRAC

Cumulative Costs and Savings from Prior BRAC Rounds



Initiative 5.02 - Leasing

Background

The existing DRI metric in the area of Leasing is outlease income, or the revenue (cash or in-kind consideration) received from leasing nonexcess, underutilized DoD property to private-sector entities . While such commercial enterprising represents an innovative means of offsetting base support costs with overhead contributions from tenants, the current dollar impact of the program (i.e., \$25M for FY 2000) is relatively small. MRM #7 applies to Leasing, directing (1) the streamlining of leased property by revising or developing policies, (2) ensuring consistent and accurate record keeping, and (3) management of property leases on a Departmentwide basis. Although MRM #7 is still open, implementation of centralized leasing management is anticipated in the near future.

Approach

The initial approach to this initiative included thorough data research and the gathering of available information from DoD and other U.S. Government Web sites, trade journals, and other references to augment the project team's subject matter knowledge and background insight of DoD leasing. In-depth interviews were then held with initiative lead to gain a direct understanding of underlying issues and government directives. As a result, the project team was able to review and develop a set of proposed performance measures to be presented to initiative owners. While the initiative lead did not accept the new metrics, there is interest in pursuing the metrics as a response to MRM #7 and as an effective way to monitor this initiative's progress.



5.02 - Leasing

- **Background**
 - Existing metric covers outlease income only
 - MRM #7 requires study of centralized DoD leasing management
- **Approach**
 - Data research and information gathering
 - Initiative lead interviews
 - New metric/scorecard preparation and acceptance

Initiative 5.02 - Leasing

Performance Measures

The existing metric for Leasing includes savings from the outlease of nonexcess, underutilized DoD property, in both cash and in-kind considerations, as authorized under 10 U.S.C. 2667. The latest performance data available are for FY1999, with outlease income of \$25M. This measure has been used by DoD to demonstrate the impact that 10 U.S.C. 2667 changes could have on outlease income; projections indicate that the incorporation of the statutory changes under request could increase outlease income to \$150M per year. While this measure is appropriate, outlease income is a nominal aspect of the total leasing engaged in by DoD. A more significant metric of Leasing impact is the proposed metric, DoD facility lease costs, or off-base lease costs, which has been in the neighborhood of \$1B for the past several years. Over time, monitoring of this metric should provide OSD with a measure that tracks the leasing cost trend and a basis for decision making and future action.

Recommendations

The adoption of the newly developed metric addressed above will provide an outcome metric that will assess total dollars spent to lease off-base property as a better outcome measure of Leasing impact on the DoD budget. While MRM #7 directs that centralized management be assessed for implementation within the Department, implementation has not yet been directed by OSD. As a direct result, there is a hesitancy to initiate tracking of the new metric at the OSD level, with, instead, a “wait and see” approach. It is the team’s recommendation that the status of the MRM #7 assessment be determined. OSD direction should be given, an information collection system established, and initiation and coordination of tracking of Service off-base lease costs be instituted, regardless of MRM #7’s resolution.



5.02 - Leasing

- **Performance Measures**
 - Goal - Quantify savings as a result of outlease of underutilized property
 - Existing metric not of significant organizational impact
 - Existing metric demonstrates need for 10 U.S.C. 2667 changes
 - Proposed metric targets DoD off-base lease costs
- **Recommendations**
 - Check on status of MRM #7 assessment
 - Establish collection system
 - Initiate and coordinate use of new metric, off-base lease costs, for Leasing initiative

Initiative 5.02 - Leasing

Goal: (MRM #7) Streamline DoD off-base Leasing management through standardization of leasing policies across Services/Agencies and centralizing management of this program

Performance Measure: Dollars (in millions) spent on off-base leases by the Services/Agencies

								Target
<u>Fiscal Year</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Projected Costs	1,100	1,050	1,000	950	910	870	800	780
Actual Costs	1,150	1,070	938	923	910	794	863	

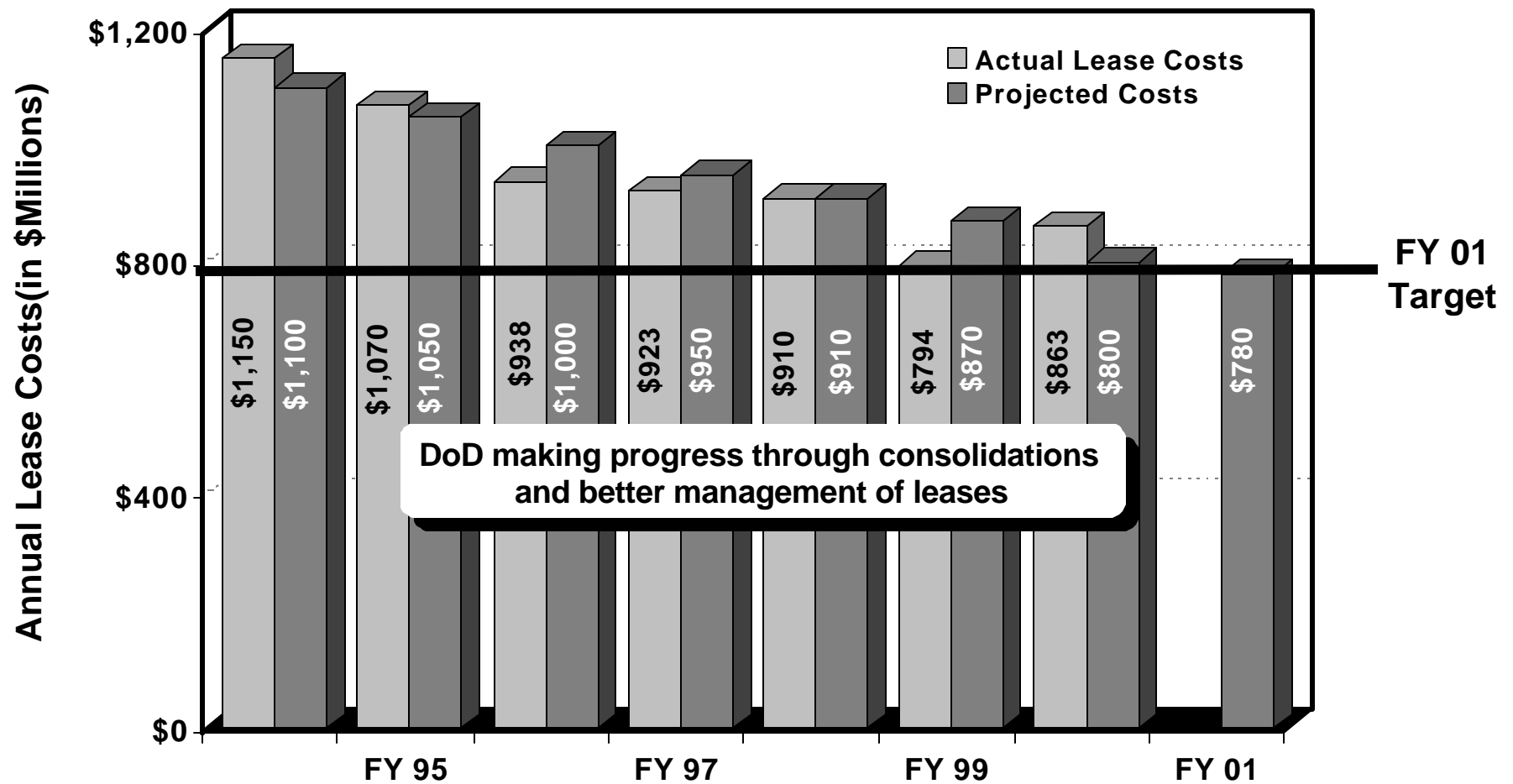
Source: DoD Report to Congress: *Leasing of Non-Excess Military Property*, June 1999

Organization, Systems, and Other Issues: This is a recommended performance measure. The initiative lead is reluctant to take on responsibility for collecting, monitoring, and reporting on off-base lease costs because there is no central reporting mechanism in place for rollup of the cost data to OSD. Current data were made available from survey data displayed in a DoD report to Congress on the same subject.



Reduce Off-Base Annual Lease Costs Through Enhanced Management

Annual DoD Facility Lease Costs



Initiative 5.03 - Saving Defense Dollars by Demolition and Disposal of Excess Defense Facilities

Background

For many years, the maintenance and upkeep of excess facilities has placed a heavy burden on field commanders. The cost to demolish excess facilities traditionally comes from operations and maintenance budgets and is hence in competition with key mission support needs for funding. Complicating the matter is the sometimes high disposal costs of asbestos, lead-based paint, or other hazardous materials that may be present in and around the excess facilities. Because there was no quantified baseline of excess facilities, OSD directed through MRM #8 that inventories be conducted. From the inventories submitted, it was determined that 80.1 million square feet of excess facilities were prime targets for demolition, with demolition cost estimates totaling approximately \$1 billion. In addition, Services and Agencies reported that, on average, the maintenance of excess facilities costs two dollars per square foot per year. Based on payback calculations, the Deputy Secretary of Defense (DSD) directed (through DRID #36) that a six-year program be initiated. Field commanders were given supplemental appropriations to complete excess facility demolitions, and performance in the first two years of the DRI have yielded demolitions above the target pace.

Approach

The initial approach to this initiative included thorough data research and the gathering of available information from DoD and other U.S. Government Web sites, trade journals, and other related references. The project team then investigated all current publicly available information to augment their existing background knowledge in facility demolition programs. Interviews were then held with the initiative lead to gain an understanding of underlying goals and currently available information and data to develop performance measures and scorecards. Following data assessment, the team proposed performance measures and presented findings to the initiative lead. Following adoption of the new metrics, scorecards were prepared to aptly portray DoD performance within the DRI framework.



5.03 - Saving Defense Dollars by Demolition and Disposal of Excess Defense Facilities

- **Background**
 - Maintaining excess facilities is a burden on field commanders
 - MRM #8 directs DoD-wide inventory of excess facilities
 - DRID #36 implements program to dispose of 80.1 million square feet of excess facilities by end of fiscal year 2003
- **Approach**
 - Data research and information gathering
 - Initiative lead interviews
 - New metric/scorecard preparation and acceptance

Initiative 5.03 - Saving Defense Dollars by Demolition and Disposal of Excess Defense Facilities

Performance Measures

The existing metric, cumulative facility square footage disposed, represents an effective way to measure square feet of excess facility space demolished. During the first two years of the initiative (FY 1998–FY 1999), DoD demolished 30 million square feet (MSF) of excess facilities. It is on track to complete the targeted 80.1MSF on schedule, resulting in \$160M recurring annual savings from disposal through FY 2003. Demolished square feet is an output measure and conforms to the MRM-stated goal. It is apparent that dollar savings more directly impact outcome and could be looked at more closely in the future as a potential metric. Because of varying costs, varying structures, and varying use of structures DoD-wide, utility costs are not tracked on a per structure basis. However, estimated dollar savings, based on the estimated standard cost per square foot previously mentioned, can still be monitored to calculate the benefit of this initiative.

Recommendations

The existing metric for this initiative, while output in nature, does relate directly to the stated MRM/DRID goal. It is recommended that the attached scorecard be part of the DRI performance measurement effort. Estimated savings from reduction of maintenance costs should also be measured.



5.03 - Saving Defense Dollars by Demolition and Disposal of Excess Defense Facilities

- **Performance Measures**

- Goal - Quantify the potential reduction of excess facilities
- Measure: Million square feet of excess facilities disposed
- Measure: Existing metric keyed to DRID goal

- **Recommendations**

- Maintain existing metric and adopt new scorecard reflecting demolition of excess facilities
- Measure estimated maintenance cost savings using per square foot estimate

Initiative 5.03 - Saving Defense Dollars by Demolition and Disposal of Excess Defense Facilities

Goal: Eliminate approximately 80.1 million square feet (MSF) of excess Defense facilities (more than 8,300 structures) by FY 2003

Performance Measure: Millions of square feet (cumulative) of excess facilities disposed

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	Goal <u>2003</u>
Programmed	11.09	24.59	39.42	54.98	72.18	80.1
Disposed	16.35	30.70				

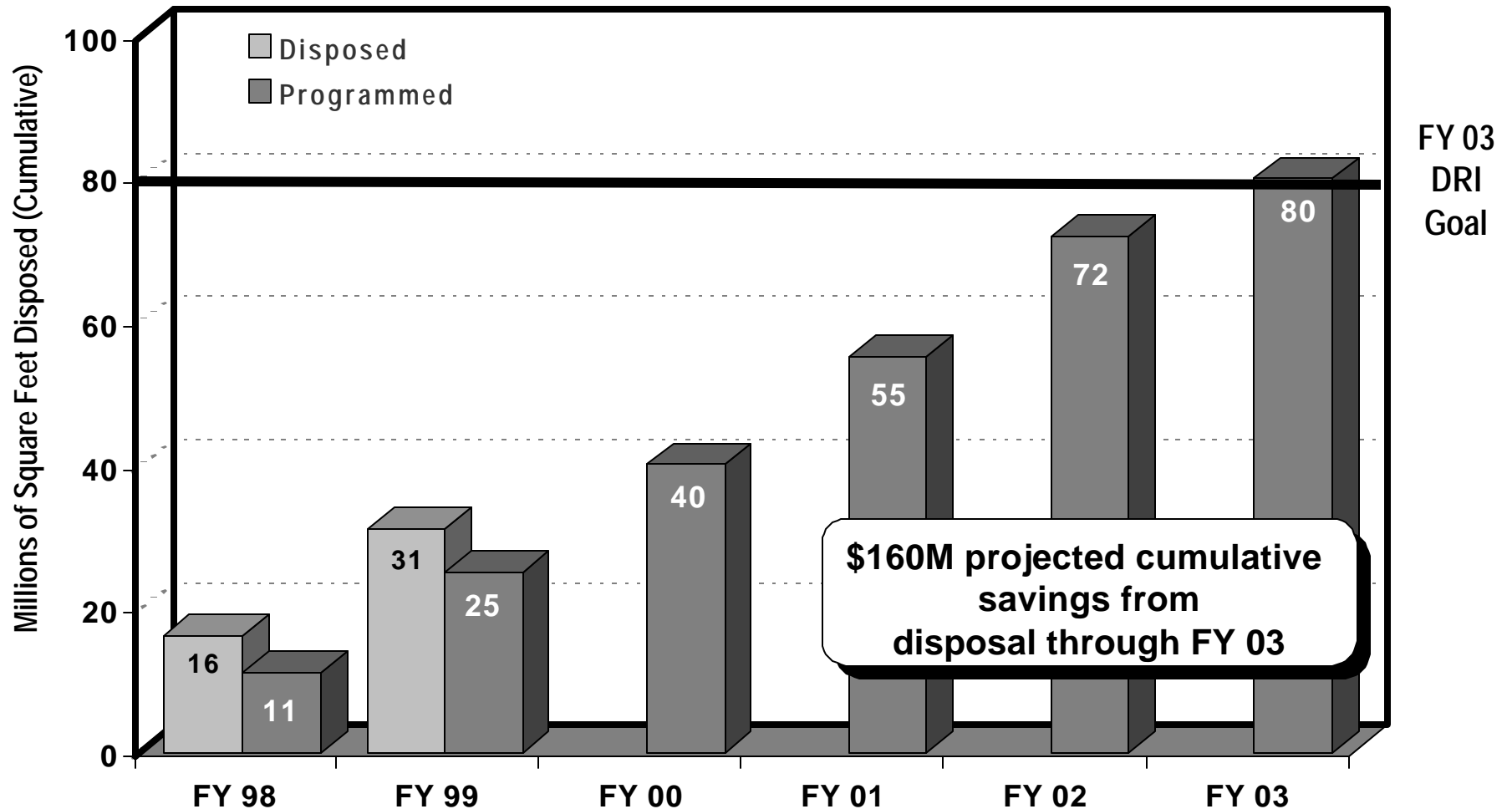
Source: DUSD(I) Brief

Organization, Systems, and Other Issues: While the DRID #36 goal is 80.1MSF by FY 2003, the Services plan to continue disposal of excess facilities beyond FY 2003 (although dedicated funding from DRID #36 will cease at that time).



Eliminate 80.1 Million Square Feet of Excess Facilities/Structures by FY 2003

Cumulative Facility Square Footage Disposed



Note:
Projected savings equate to \$2 per square foot.

Initiative 5.04 - Military Housing Privatization Initiative - Improving Quality of Life

Background

The original DRI included an initiative to privatize 30,000 military housing units by FY 2000 and to eliminate all inadequate military housing by FY 2010. The DRI 1999 Update revised interim initiative goals for FY 1998 and FY 1999 and deleted mention of eliminating all inadequate housing.

Approach

The initial approach to this initiative included a thorough review of existing data and the gathering of available information from DoD and other U.S. Government Web sites, trade journals, and other related references. Based on information provided by the initiative lead, proposed performance measures and a scorecard were developed for this initiative.

Performance Measures

The number of individual military housing units privatized is the metric to be used to determine attainment of the goal for this initiative.

Recommendations

This is a worthy initiative and goes to the root of Service member Quality of Life and retention. The project team recommends that the following scorecard be used for measuring the initiative. The initiative lead should continue to monitor the progress of the initiative and its goal achievement by FY 2000. Consideration should be given to assessing Quality of Life impact on Service members following privatization.



5.04 - Military Housing Privatization Initiative - Improving Quality of Life

- **Background**
 - Privatize 30,000 housing units by FY 2000
 - Eliminate inadequate military housing by FY 2010
- **Approach**
 - Reviewed existing data and other information
 - Initiative lead provided information
- **Performance Measures**
 - Goal: Quantify savings through number of military housing units privatized
- **Recommendations**
 - Use existing metric even if goals are not being met
 - Establish Quality of Life metric to determine impact on Service members

Initiative 5.04 - Military Housing Privatization Initiative - Improving Quality of Life

Goal: Privatize 30,000 military housing units by FY 2000

Performance Measure: Privatized military housing units (new and renovated)

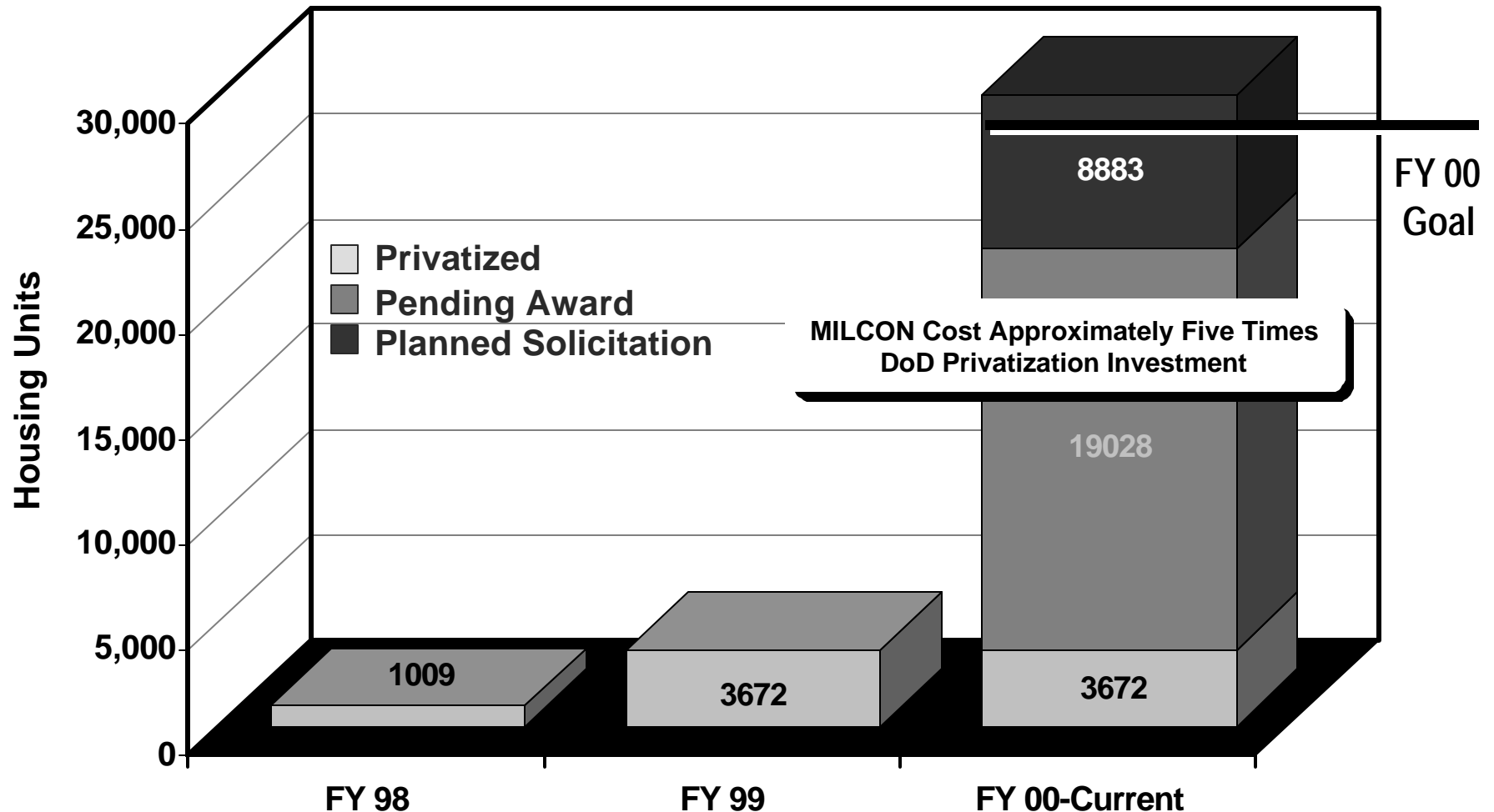
	<u>FY 1998</u>	<u>FY 1999</u>	Current <u>FY 2000</u>
Planned Solicitation			8,883
Pending Award			19,028
Privatized	<u>1,009</u>	<u>2,663</u>	<u>3,672</u>
Cumulative Total	1,009	3,672	31,583

Source: DUSD(Installations) (in accordance with FY 2001 President's Budget submittal)

Organization, Systems, and Other Issues: None



Privatize 30,000 Military Housing Units by FY 2000



Initiative 5.05 - Energy Management

Background

This initiative includes two subinitiatives: Reduce Energy Consumption and Privatize DoD Utility Systems.

The goal of reducing energy consumption, as directed by Executive Order (E.O.) 13123, is to achieve consistent reduction in DoD energy consumption from 1985 levels: by 30 percent by 2005 and by 35 percent by 2010. Under E.O. 13123, energy consumption is measured as an aggregate ratio of BTUs per gross square foot. This initiative is more appropriately measured in terms of consumption, as opposed to cost savings, because of historical fluctuations in pricing and advances in energy-efficient equipment.

DRIDs #9 and #49 serve as overall direction for the Privatize DoD Utility Systems subinitiative, with all available utility (approximately 2,700) systems targeted for privatization by the end of FY 2003.



5.05 - Energy Management

- **Background**
 - Energy Management comprises two subinitiatives:
 - Reduce Energy Consumption
 - Privatize of all available DoD Utility Systems

Initiative 5.05 - Energy Management (Reduce Energy Consumption)

Background

One goal of Energy Management and the Reduce Energy Consumption subinitiative under Executive Order 13123 is to achieve consistent reduction in DoD energy consumption from 1985 levels by 30 percent by 2005 and by 35 percent by 2010 by measuring energy consumption as an aggregate ratio of BTUs per gross square foot. This initiative would not be accurately reflected through cost savings because of historical fluctuations in pricing and advances in energy-efficient equipment.

Approach

The initial approach to this subinitiative included thorough data research and the gathering of available information from DoD and other U.S. Government Web sites, trade journals, and other energy-related references. As in other initiatives, the project team then investigated all current publicly available information to augment their existing background knowledge in energy management programs. Interviews were then held with the initiative lead to gain an understanding of underlying goals and currently available information and data to develop performance measures and scorecards. Additional information and data were then collected to be used in developing performance measures and scorecards that would track the attainment of Energy Consumption goals. Following data assessment, the study team proposed performance measures and presented findings to the initiative lead. Following adoption of the new metrics, scorecards were prepared to aptly portray DoD performance within the DRI framework.



5.05 - Energy Management (Reduce Energy Consumption)

- **Background**
 - Achieve consistent reduction in energy usage by the Department of Defense
- **Approach**
 - Data research and information gathering
 - Initiative lead interviews
 - New metric and scorecard preparation and acceptance

Initiative 5.05 - Energy Management (Reduce Energy Consumption)

Performance Measures

The existing metrics of annual DoD energy consumption and aggregate ratio of BTUs per gross square foot reflect the amount of energy consumed DOD-wide, as broken down to a measurable unit. A normalized consumption index, in thousands of BTUs per gross square foot, is used to measure annual energy consumption and is a reasonable outcome measure, supporting overarching national goals. Despite imposed Federal goals, future reductions in DoD energy consumption will slow down because of restricted funding (especially construction funds) and conflicting priorities. By establishing a secondary scorecard related to total annual energy costs, DoD could show continued management interest even if it does not reach the assigned Executive Order 13123 goal of reducing energy consumption to support environmental priorities. Annual energy cost was investigated as an alternate metric for this subinitiative, but after careful consideration, it was agreed that consumption is the preferred measure because the variation in energy costs, as a result of external factors such as inflation, seasonality, geographic locations, and unexpected temperature changes, makes measurement difficult and may mask DoD results in consumption reduction.

Recommendation

The tracking of BTUs per gross square foot will provide an outcome metric that follows the Executive Order requirement goal. Dollar savings associated with Energy Management can be difficult to relate to consumption, as a result of price fluctuations and geography. If prices go up, dollar metrics alone may not reflect a continuing reduction in consumption; however, the DoD may have avoided additional costs through the efforts of reduced consumption. By developing a method of tracking dollars saved and/or total energy costs avoided, in addition to consumption, the DoD will present a more complete picture of continued success in Energy Management.



5.05 - Energy Management (Reduce Energy Consumption)

- **Performance Measures**
 - Goal: Measure savings as a result of reducing energy usage.
 - Existing metric of BTUs per gross square foot
 - Use of cost savings as a measure was considered, but consumption is preferred
- **Recommendation**
 - Add dollar savings and/or energy cost avoidance performance measure with scorecard

Initiative 5.05 - Energy Management (Reduce Energy Consumption)

Goal: Reduce DoD energy consumption from 1985 levels by 30 percent by 2005 and by 35 percent by 2010

Performance Measure: Energy consumption (Thousands of BTUs)

	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>
Projected	135.0	133.5	131.0	129.0	127.0	125.0	123.0
Actual	135.0	122.5	131.0	126.5	128.0	127.1	122.5

	<u>FY 92</u>	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>
Projected	121.1	119.1	117.1	115.1	113.1	111.1	109.0
Actual	126.5	120.5	119.4	116.5	115.5	112.5	109.2

	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>
Projected	107.1	105.0	102.9	100.8	98.7	96.6	94.5 (GOAL)

	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>
Projected	93.1	91.8	90.4	89.1	87.7 (GOAL)

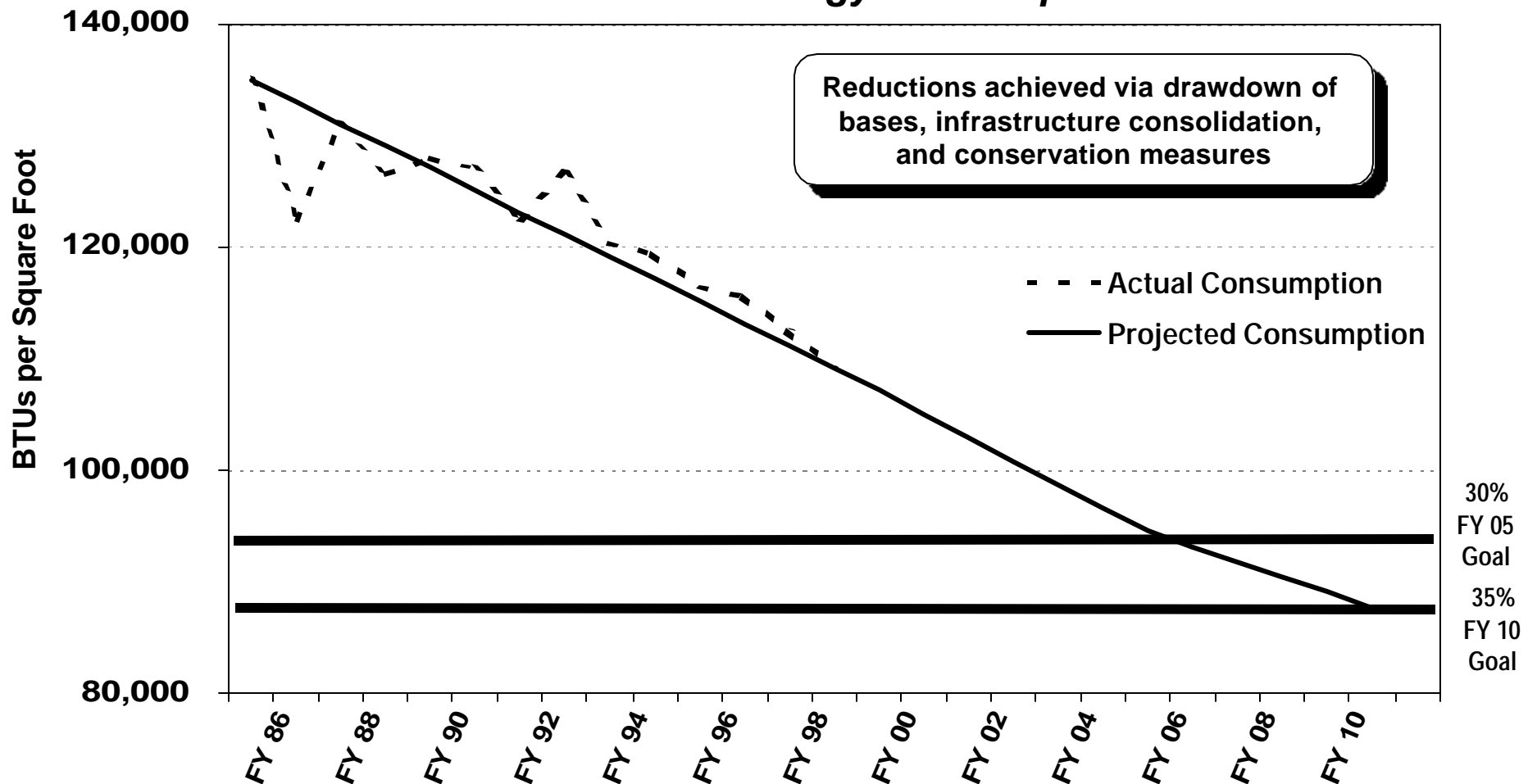
Source: SECDEF DRI Update Brief, November, 1999

Organization, Systems, and Other Issues: Despite Federal goals, DoD future reductions in energy consumption will slow down because of restricted funding (especially construction funds) and conflicting priorities. By establishing a secondary scorecard for total annual energy costs, DoD could show continued management interest even if it does not reach the assigned Executive Order goal.



Measure Savings as a Result of Reducing Energy Consumption From 1985 Levels

Annual DoD Energy Consumption



Initiative 5.05 - Energy Management (Privatize DoD Utility Systems)

Background

DRID #9 contained the DRI articulation of a change in DoD policy concerning operation and maintenance of DoD-owned utility systems, including electricity, potable water, sanitary sewer, and natural gas systems. The new DoD policy stated that DoD would be an energy consumer rather than an energy producer, including the operation and maintenance of systems where possible. In DRID #49, the specific goals for implementation of privatization were changed to reflect the complexities of the process and to direct privatization of eligible systems by the end of FY 2003. The deregulation of utility systems nationwide has served to complicate rather than facilitate privatization efforts because of the interface of State regulatory agencies and their influence over local and regional provider options. In addition, organizational coordination of privatization is proving to be unclear and slow. The Services are finding that the term “utility” may in fact be defined differently from one base to another. In one example of this issue, the Army believed that some of its utilities in Europe were currently privatized because of the wording of the DRID and the difficulty in defining its utilities. As a result, incorrect numbers were reported.

Approach

The initial approach to this subinitiative included thorough data research and the gathering of available information from DoD and U.S. Government Web sites, trade journals, and other related references. Discussions were then conducted with the initiative lead.



5.05 - Energy Management (Privatize DoD Utility Systems)

- **Background**
 - End DoD ownership of utility systems where possible
 - DRIDs #9 and #49 direct privatization of eligible systems by 2003
- **Approach**
 - Data research and information gathering conducted
 - Discussions conducted with initiative lead

Initiative 5.05 - Energy Management (Privatize DoD Utility Systems)

Performance Measures

The actual number of privatized DoD utility systems is the existing metric identified in the DRIDs. Varying interpretations of what constitutes a separate utility system among Service field components has frustrated attempts to establish an effective baseline for use in a scorecard.

Discussions with the initiative lead indicate a reluctance to incorporate this metric into the DRI. The reason given is that the metric baseline is tentative because of differing definitions as to what constitutes a utility system. Also, the initiative lead indicates that this initiative is in jeopardy because of the aforementioned regulatory interface problems encountered at many locations.

Recommendations

The initiative lead should establish a baseline for the number of utility systems to be privatized, as well as a baseline for the total cost of operating utility systems in the preprivatization environment. The comparison of these two baseline figures would allow for assessment of impact on DoD operations after implementation. Establishing some form of clear-cut privatization guidance will facilitate a more seamless transfer of utility management to privatization.



5.05 - Energy Management (Privatize DoD Utility Systems)

- **Performance Measures**
 - Goal: Quantify savings as a result of privatization
 - Measure: Number of utility systems privatized
 - Metric baseline not established
- **Recommendations**
 - Establish baseline of number of utility systems
 - Establish total cost baseline for DoD utility system costs
 - Establish clear-cut privatization guidance